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Alberta ECONOMIC OUTLOOK

SEPTEMBER, 1974

PROVINCIAL AFFAIRS

Alberta is on the edge of an investment boom unprecedented in its history. To the end of 1980 total investment in Alberta, measured in 1961 dollars, has been estimated to increase at an average annual rate of between 8 and 9 per cent. This compares to an average annual growth rate of 5 per cent in the previous decade.

Of particular significance to this investment forecast is the role which a number of major industrial projects will have on the Alberta economy. Figures compiled by Alberta Industry and Commerce (see the August, 1974 Economic Outlook) show 147 major projects completed, under construction or proposed as of June 30, 1974. The total value of these projects for the period under review is about \$6.3 billion. It is important to note that of this total, \$5.54 billion or about 88 per cent of total capital expenditures, is accounted for by investment in the petroleum and petrochemical products sector of the Alberta economy. Of the \$5.54 billion, \$3.46 billion is directly accountable to projects under construction or proposed for the Alberta tar sands. This concentration of investment in synthetic crude extraction facilities is influenced by the more than fourfold increase in crude oil prices, achieved by the Organization of Petroleum Exporting Countries.

With this increased investment, comes an increased demand for services, particularly labour services. Can this demand be met or will some projects have to be curtailed? Will the benefits arising from these developments exceed the costs associated with meeting these demands?

These are the questions to which over 200 representatives of business, organized labour and government addressed themselves at the Alberta Chamber of Commerce Manpower Conference, held October 6th to 8th in Jasper. This conference, the first of its kind, comes at a time when cooperative action is necessary, and for that reason alone the conference could be considered a success.

The need for a manpower conference was reflected in a

study prepared by Alberta Manpower and Labour. According to this study, the buoyant Alberta economy is expected to create an average of 37,000 jobs a year to the end of 1980. Projections of labour force growth, however, average out at 33,500 workers per year over the same period; leaving a potential shortage of 3,500 projected job openings over potential employees. The study concludes that, in the face of this potential shortage, internal developments in the labour market (such as high wages, capital substitution, demand induced employment, etc.) will tend to equalize supply and demand, and thus any potential labour shortages will tend to disappear.

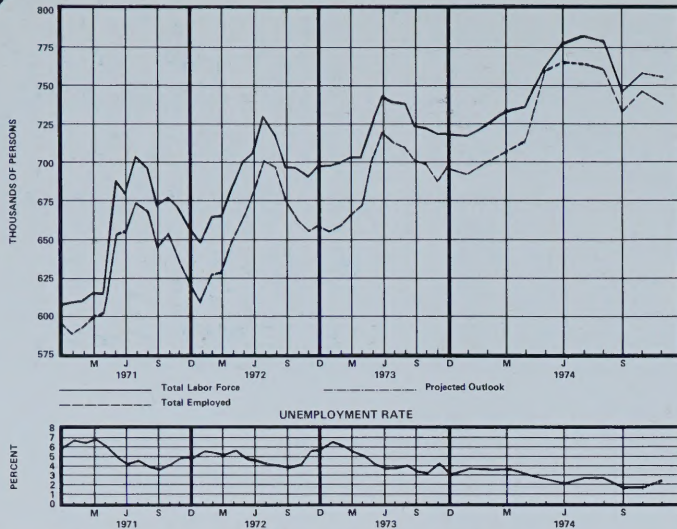
Any such movements however, imply a curtailment of some projects. This point was expressed by the Minister of Industry and Commerce, who told the delegates that the manpower shortage, along with developing material shortages, could seriously retard the governments industrial development plans. Given this trade off between lower labour demand and the amount of industrial development, the policy goal becomes one of achieving equilibrium in the labour market, while at the same time ensuring the optimal amount of industrial development. This point leads nicely into the second major concern of the conference. What is the optimal amount of industrial development?

This question was explored by the keynote speaker at the conference, Dr. Willis Harmen of the Stanford Research Institute. Noting that historically industrial development has been associated with events which have a negative influence on the quality of life of a nation, he stressed that Alberta is now making developmental decisions that will affect not only the quality of life but also the actual type of life that will be had in the future.

The questions which the delegates faced are not easy ones to answer. Significant progress towards answers was made however, as 32 out of total 37 resolutions were agreed upon at the conference. Among the highlights of the resolutions passed at the conference are the following:

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EMPLOYMENT



EMPLOYMENT

Employment	Actual Data				Forecast
	Oct./74	Sept./74	Oct./73	Sept./73	Nov./74
Labour force	758,000	746,000	721,000	723,000	755,000
Number employed	745,000	733,000	699,000	700,000	737,000
Number unemployed	13,000	13,000	22,000	23,000	18,000
Unemployment rate	1.7 %	1.7 %	3.1 %	3.2 %	2.4 %

Comments: The Alberta economy displayed unexpected seasonal strength in October, as the unemployment rate remained at its September level of 1.7 per cent. The increase forecasted in the unemployment rate is predicted on a seasonal decline in agricultural employment.

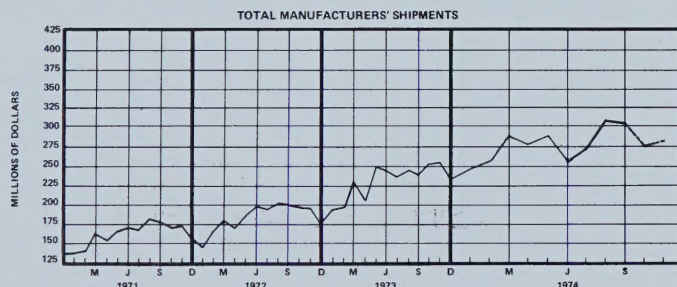
RETAIL TRADE



Retail Trade	July		%	Jan. — July		%	Forecast
	1973	1974	Change	1973	1974	Change	Aug./74
Value of Retail Trade in Alberta	253.4	312.9	+24.5	1706.8	2024.0	+18.6	316.8

Comments: August's forecasted total is some 19.7 per cent higher than August 1973. Preliminary prospects for September are for a slight increase in value to \$321 million, 19.8 per cent above the September 1973 value.

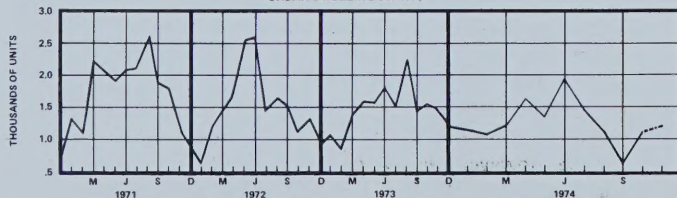
MANUFACTURING SHIPMENTS



Manufacturing Shipments	July		%	Jan. — July		%	Forecast
	1973	1974	Change	1973	1974	Change	Aug./74
Total manufacturing shipments	244.0	304.3	+24.7	2075.3	2464.3	+18.7	\$275.0

Comments: The forecasted October total is 8.5 per cent above the October 1973 total of \$253.5 million. Preliminary indications for November are for a slight increase in value to a total of \$283.7 million, 10.1 per cent above last year's figure.

URBAN DWELLING STARTS

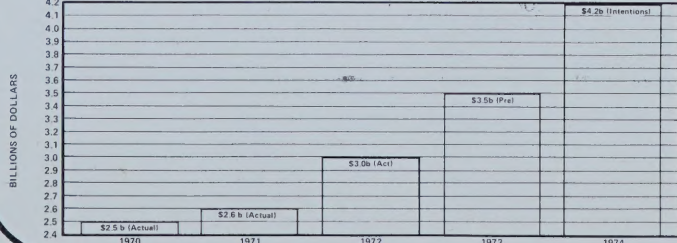


HOUSING

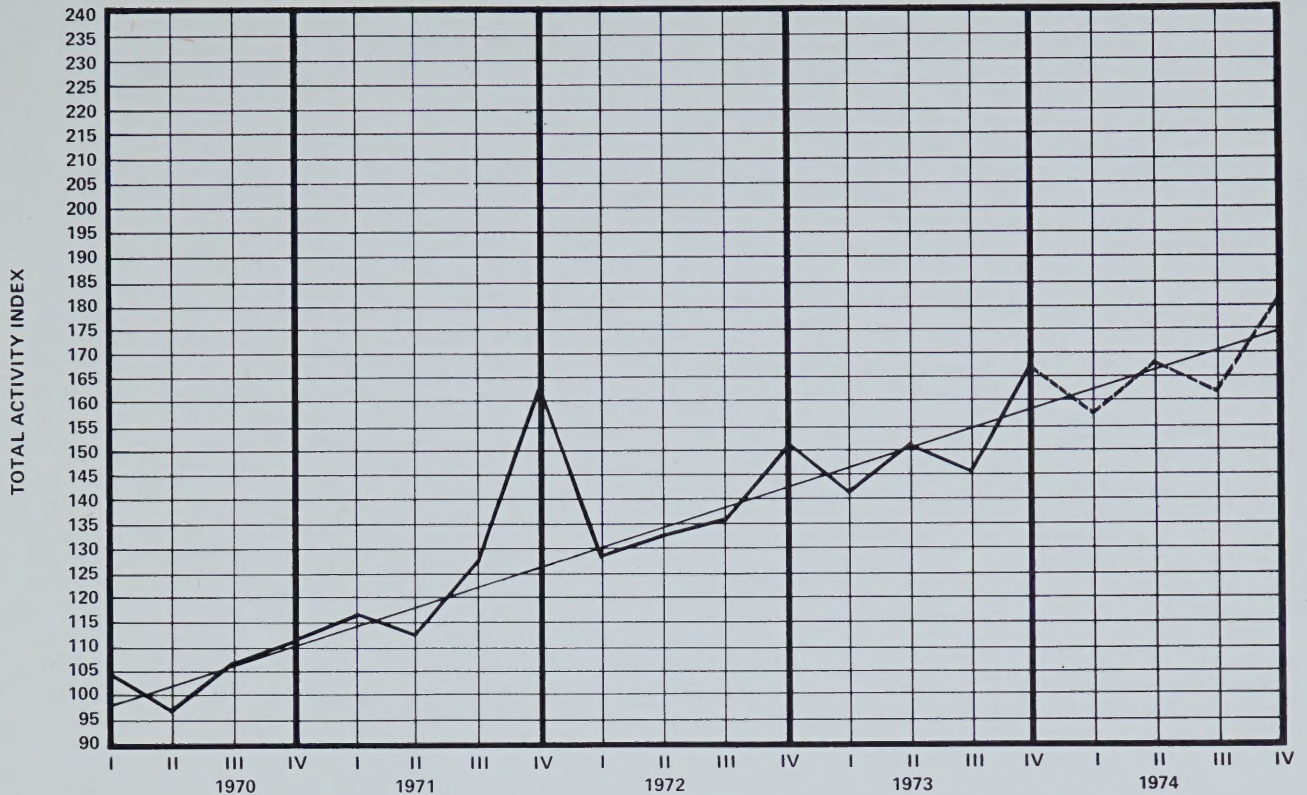
Urban Dwelling starts:	September		%	Jan. — Sept.		%	Forecast
	1973	1974	Change	1973	1974	Change	Oct./74
Alberta total	1,418	1,046	- 26.2	12,757	11,233	- 11.9	1257
Calgary total	347	357	+ 2.9	5,010	5,290	+ 5.6	
Edmonton total	802	477	- 40.5	5,805	4,305	- 25.8	

Comments: The October forecast is 20.7 per cent less than the October 1973 total. The inclusion of the October forecast brings the cumulative total for 1974 to 12,490, some 12.9 per cent below the corresponding period last year. Some hope for an easing in the present housing situation can be drawn from the recent reduction in the prime interest rate.

PRIVATE AND PUBLIC INVESTMENT



ALBERTA'S ACTIVITY INDEX



PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

INDICATOR	Percentage Change in Volume Activity		
	Total Year 1972 - 1971	Total Year 1973 - 1972	Year to Date 1974 - 1973
MANUFACTURING			
Slaughtered Meat Production	+ 3.3	- 2.2	- 10.3 (Jan. - Sept.)
Slaughtered Meat Exported	+ 5.3	- 0.6	- 5.3 (Jan. - Sept.)
Refinery Production	+21.4	+10.0	+10.1 (Jan. - Aug.)
Cement Production	+ 3.5	+ 7.8	- 1.7 (Jan. - Sept.)
MINING			
Oil Production	+20.8	+19.6	- 1.8 (Jan. - Aug.)
Gas Production	+16.8	+ 7.3	+ 1.9 (Jan. - Aug.)
Footage Drilled	+21.9	+28.3	- 3.2 (Jan. - Aug.)
Number of Wells Drilled	+13.1	+33.2	+51.6 (Jan. - Aug.)
Coal Production	+14.1	+ 0.4	- 3.6 (Jan. - Aug.)
CONSTRUCTION			
Urban Dwelling Starts	- 15.4	- 7.2	- 11.9 (Jan. - Sept.)
Rigid Insulation Board Shipments to Alberta	+ 5.9	- 1.7	- 12.3 (Jan. - Sept.)
Value of Alberta Building Permits	+12.2	+20.0	+43.8 (Jan. - Sept.)
AGRICULTURE			
Grain Shipments	- 2.9	- 16.4	- 2.0 (Jan. - Oct.)
Livestock Marketed	- 1.6	- 6.4	- 9.9 (Jan. - June)
Farm Cash Receipts	+14.0	+32.3	+54.2 (Jan. - Sept.)
FORESTRY			
Lumber Production	+16.0	+33.6	- 11.1 (Jan. - Aug.)
Lumber Sales	+ 5.7	+17.5	- 19.6 (Jan. - Aug.)
Lumber Exports	+24.7	+ 2.5	- 33.4 (Jan. - Aug.)
Pulpwood Production	+47.8	+46.6	+119.0 (Jan. - Sept.)
UNEMPLOYMENT RATE (unadjusted)			
	OCTOBER 1974	SEPTEMBER 1974	OCTOBER 1973
Canada	4.4	4.5	4.6
Alberta	1.7%	1.7%	3.1%
CONSUMER PRICE INDEX (1961 = 100)			
	OCTOBER 1974	SEPTEMBER 1974	SEPTEMBER 1973
Calgary-Edmonton	161.4	159.3	145.1
			145.0

- That both the provincial and the federal levels of government make money and people available to native organizations to conduct training and economic development programs.
- That the government of Alberta, review with its citizens the implication of further industrialization.
- That firms seek better employee retention through the mechanisms of competitive economic benefits, better two-way communication, promotion and more on-the-job satisfaction and self-actualization for the employee.
- That industry, labour and all levels of government develop and implement programs aimed at easing the entry of women into the labour force.
- That a proposed central agency in cooperation with the provincial and federal government agencies undertake and maintain a perpetual labour skills inventory.
- That social planning by governments, industry and labour must accompany economic development to ensure that housing and infrastructure needs are adequately met.

Finally, an ad hoc committee was established to maintain the momentum generated at the conference.

NATIONAL AFFAIRS

The 26th Annual Canadian Conference on Coal, sponsored by the Coal Association of Canada, was held in Calgary from September 11th to the 13th. With coal making a return as an important source of energy, the conference was well attended by both domestic and foreign representatives of business and government. Among the topics of discussion were the policies of the Federal Government and the Governments of Saskatchewan, Alberta and Manitoba with respect to coal.

The form that the Federal Government's policy on coal will take was the first to be outlined. Essentially, coal will be treated the same as any other of Canada's energy resources with the Federal Government endeavouring to ensure that Canadian coal consumers obtain a dependable supply of coal at a reasonable price.

In respect of this, new export commitments will be permitted only if recoverable Canadian reserves are deemed to be sufficient to meet Canada's needs in the foreseeable future. Exports of raw coal will also be limited if there exists some reasonable possibility of upgrading the coal before it is exported. These measures are similar in construction to the Federal Government's recently formed policy on uranium.

The coal policies of the three western provinces were discussed at the conference by the respective provincial ministers of Mines and Minerals. With regard to the pricing of coal, the Alberta Government will follow the precedent it has set on natural gas prices, and will do whatever possible to ensure that producers in Alberta receive a price equal to the commodity value of coal. Through the Energy Resources Conservation Board, the Alberta Government will monitor the remaining reserves of coal in the province and the projected thirty-year demand of consumers in

Alberta. As with gas and oil, only reserves in excess of this demand would be permitted to be removed from the province. On the matter of public participation in coal development the possibility of a minority shareholder type of arrangement for the Alberta Government, was not excluded.

The stated position of the British Columbia government was that they consider any energy resource to be too important to be left altogether to private enterprise and the profit motive. Royalties of \$1.00 per ton on metallurgical coal and \$.50 per ton on thermal coal have been imposed by the B.C. government this year. In 1975 these will be raised to \$1.50 and \$.75 per ton respectively. The use of all energy resources, including coal, will be monitored very closely by the B.C. government and a list of priorities for energy usage will be made. No mention was made of the B.C. government establishing its own coal development corporation.

Highlights of the position taken by the Saskatchewan government at the conference included the following:

- that while specific policies are needed for various energy resources, these policies should be viewed as part of an overall economic development policy;
- that the movement of raw coal from Saskatchewan to central Canada would make a limited contribution to regional development and that a specific policy for western Canadian coal would involve maximum upgrading of coal at its source;
- that the market has not been the best allocation of non-renewable resources, and that in the longer term energy resources will come under more direct government control.

INTERNATIONAL AFFAIRS

President Gerald Ford proposed a ten point anti-inflation package to the American Congress on October 9, 1974. If given congressional approval the following measures would be introduced as part of this program:

- A one-year 5 per cent income tax surcharge on businesses and middle and upper income Americans;
- An increase in the investment tax credit to 10 per cent, from an original 7 per cent for most corporations and 4 per cent for utilities;
- Through a variety of conservation measures, combined with the relaxation of some environmental standards, a target reduction in foreign oil imports of one million barrels a day to the end of 1975;
- A graduated increase in unemployment insurance benefits and public service employment whenever the unemployment rate, averaged over three months, exceeded 6, 6.5 and 7 per cent.

Further proposals include: the allocation of \$3 billion dollars to mortgage financing, vigorous enforcement of anti-trust laws and the removal of all acreage limitations on rice, peanuts and cotton.

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